
Comparative Study of Agricultural Marketing System-Traditional marketing and Electronic Marketing

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Introduction

In India Co-operative movement is one of the aspects of the economy. In rural India farmers face various problems due to insufficient information and assistance at various levels. Agricultural produce and its problems is one of the things and agricultural produce marketing is another one of the thing. Various institutes, various central as well as state level governments are planning there on for the agricultural produce marketing. But the strengths and constraints are not yet balanced. Agricultural produce market committee is the one of the answers for minimizing agricultural produce marketing problems. Traditional systems are applied in this sector. Now a day technological advancement has affected over all sectors, not only country but over the entire world. Agricultural produce marketing is also not exception for this technological revolution, namely electronic marketing (e-marketing) i.e. online marketing system.

This is the comparative study of traditional and electronic marketing systems in agricultural marketing. For the research paper Agricultural produce market committee Newasa and E-Choupal Sanchalak Center at Pachegaon are selected for study. The study in research paper finds answers to the question, "Is new electronic system suitable for this agricultural marketing?" Farmers are committing suicide all over the India because of the various agricultural problems. Farmers have small land in India and the biological nature of commodities make them of lower quality and they have very less influence on price. Market rate for the agricultural produce is one of the major problems behind the suicide of farmer. This study also shows the path for various institutes and farmers for minimizing the agricultural produce marketing problems.

There is a wide gap between the problems and its research. The problem is very dense but this research paper shall work as a light house to pave the path.

Objectives of the study

1. To study the traditional system of agricultural produce marketing.
2. To highlight on online marketing system of agricultural produce marketing.
3. To find out the leakage in the traditional system of agricultural produce marketing.
4. To evaluate the scope of online marketing system of agricultural produce marketing.

Hypothesis

Electronic marketing system is suitable for agricultural produce marketing.

Methodology

a) Primary data – The information required for the study has been collected through different sources. Primary data has been collected by applying various sub-methods such as questionnaire, discussion, interviews.

b) Secondary data – Two main sources are used for collecting data relating to the subject of the research paper. 1) Traditional source – Such as Census, Gazetteer, news papers, magazines, Journals, Govt. reports, etc. 2) New sources – Various websites, Online reports, e-mail, phone-mobile contacts or discussion, Internet searching, etc.

Traditional Marketing System

Agriculturists bring their produce to market yards by their own vehicles generally by bullock carts or trucks, tempo, tractor, etc on hire. The sale is held only on Wednesday, Friday and Sunday from 10 am to 5 pm in a week. The porters or coolies of general commission agent unload the produce of agriculturists from bullock-carts, tempos, trucks and tractors. General commission broker or agent labels the identification on bags by putting the names of agriculturists and their village in different inks as per the kind of produce At 11 am sharp the auction takes place. The produce is sold to the highest bidder. Auction clerk of committee makes the notification of auction in auction register. In this register, he notes the auction price, the number of bags and the name of the agriculturist. After

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the auction is over, the produce is weighed by licensed weigh man. He prepares the weight slip in triplicate. One slip is given to the agriculturist, second is handed over to the general commission trader and third is retained by the committee as office copy. Agriculturist comes to the trader with weight slip he produces the weight slip of his produce to the purchasing trader and gets the cash immediately. Price of produce is given to him by deducting the charges such as Adat (Commission Charge) at the rate of Rs. 3/- for Rs. 100/- i.e 3% on Bill Pay amount to farmer , Rs. 5/- per bag for Hamali as loading charges, Rs. 1/- per Quintal for weighing charges and Rs. 2/- Warai Charges such as cleaning expenses. These are deductions made from the sale prices. Unauthorized or unrelated charges are completely avoided, the sacks (bags) of the produce are immediately returned to the agriculturist as soon as the weighing is over. Secretary or Assistant Secretary is personally present at the time of auction and he supervises the auction procedure and totally safeguards the interest of agriculturists. If there is any doubt in the mind of the agriculturists, he clarifies it to general commission, commission trader and office staff.

As per the above procedure of sale in grain market, it is clear that market committee is not actually buying or selling the agricultural produce but makes a common clean platform for seller i.e. agriculturists and purchasers, traders from marketing of agriculturists and purchasers, traders for marketing of agricultural produce. Of course, the Market Committee plays a dominant role in favor of agriculturists.

Electronic Marketing system

The re-engineered supply chain looks very different from the existing system and has the following stages.

A) Pricing- The previous day's mandi closing price is used to determine the benchmark fair average quality (FAQ) price at the e-choupal. The benchmark price is static for a given day. This information and the previous day mandi prices are communicated to the Sanchalak through the e-choupal portal. The commission agents at the mandi are responsible for entering daily mandi prices into the e-choupal. If and when the internet connection fails. The Sanchalak calls an ITC (Imperial Tobacco Company of India Limited) field representative.

B) Inspection and Grading- To initiate a sale, the farmer brings a sample of his produce to the e-choupal. The Sanchalak inspects the produce and based on his assessment of the quality makes appropriate deductions (if any) to the benchmark price and gives the farmer a conditional quote. The sanchalak performs the quality tests in the farmer's presence and justifies deductions if any to the farmer. The benchmark price represents the upper limit on the price, a Sanchalak can quote. These simple checks and balances ensure transparency in a process where quality testing and pricing happen at multiple levels. If the farmer chooses to sell his soyabean to ITC, the Sanchalak gives him a note mentioning his name, his village, particulars about the quality tests (foreign matter and moisture content) approximate quality and conditional price.

C) Weighing and Payment- The farmer takes the note from the Sanchalak and proceeds with his crop to the nearest ITC procurement hub, ITC's point for collection of produce and distribution of inputs sold into rural areas. Some procurement hubs are simply ITC's factories that also act as collection prints. Others are purely warehousing operations, ITC's goods is to have a processing center within a 30-40 kilometer radius of each farmer. There are currently 16 hubs, but there will eventually be 35 in the state of Madhya Pradesh.

At the ITC procurement hub, a sample of the farmer's produce is taken and set aside for laboratory tests. A chemist visually inspects the soyabean and verifies the assessment of the Sanchalak. It is important to note that this is the only test assessment before the sale. Laboratory testing of the sample for oil content is performed after the sale and does not alter the price. The reason for this is that farmers, having historically been exploited, are not immediately willing to trust a laboratory test. Therefore pricing is based solely upon tests that can be understood by the farmer. The farmer accepts foreign matter deductions for the presence of stones or hay, based upon the visual comparison of his produce with his neighbor. He will accept moisture content deductions based upon the comparative softness of his produce when he tastes it.

ITC is working to change farmer's attitude towards laboratory testing. It is developing an appreciation of better quality by using the subsequent lab test to reward farmers with

bonus points if their quality exceeds the norm. At the end of the year, farmers can redeem their accumulated bonus points through the e-choupal for farm inputs, or contributions towards insurance premiums.

After the inspection, the farmer's cart is weighed on an electronic weighbridge, first with produce and then without. The difference is used to determine the weight of the produce.

D) Hub Logistics- After the inspection and weighing are complete, farmer then collects his payment in full at the payment counter. The farmer is also reimbursed for transporting his crop to the procurement hub. Every stage of the process is accompanied by appropriate documentation. The farmer gives a copy of lab reports, agreed rates, and receipts for his records.

Samyojaks, who are adept at handling large amounts of cash, are entrusted with the responsibility of payment, except at procurement centers near large ITC operations where ITC handles cash disbursement, Samyojaks also handles much of the procurement hub logistics, including labor management at the hub, bagging (If necessary), storage management, transportation from the hub to processing factories, and handling mandi paperwork for the crops procured at the hub. For these services in the procurement process, the Samyojak is paid a Commission at the rate of 0.5%.

Difference between Traditional and Electronic Marketing System

The comparative study of agricultural marketing system – traditional and electronic marketing is as per following data and analysis.

1. Selling Expenses

Traditional systems (mandi) have certain expenditure but the e-marketing system does not have any selling expenses to the farmer. The details are as follows –

Selling Expenses to Farmer

Sr.No.	Name of the Expenditure	Traditional i.e. Mandi's Expenses	Electronic Marketing Expenses
1	Adat (Commission of Trader)	3% of Pay Bill	Nil
2	Hamali (Coolie Charges)	Rs. 5 Per Quintal / Bag	Nil
3	Warai (Cleaning Charges)	Rs. 2 Per Quintal / Bag	Nil
4	Mapai (Weighing Charges)	Rs. 1 Per Quintal / Bag	Nil

2. Loss of weighing –

There are weighing system in purchasing the agriculture produce. But these are different systems and loss of weighing is as follows -

Loss of Weighing (For Per Quintal)

Sr. No.	Particular	Traditional System	Electronic System
1	Per Bag Loss	1 kg.	Nil
2	Weighing Loss (Average)	2 kg. to 4 kg.	Nil
	Minimum	1 kg.	Nil
	Maximum	5 kg.	Nil

3. Govt. Levy Price -

The governments declare the Levy Prices of every commodity for every year to purchase every agricultural produce i. e. a certain minimum price of agricultural produce. But the traditional system purchasing price is below level of the government prices because of the lower quality of product. But in e-marketing system could not purchase below level of the government levy price because of the marketing standards are compulsorily unavoidable to e-marketing system.

4. Payment Timing –

Online system gives payment to farmer within 24 hours and occasionally 3 days in maximum. In traditional system depend upon the traders and farmers personal relations. They take 7 to 15 days for giving the payment to farmers.

5. Wastage Permission –

In electronic system 2 kg. Per quintal for "Matti" (i.e. soil) and 2 kg. per quintal for "Kachra" (i.e. wastage) is permitted. In traditional system no wastage is permitted. There is also a cleaning system in traditional process called, as a warai.

6.All Transactions are Controlled

In traditional system, all transactions are not controlled by government because of lack of many records and manual interruptions. But in e-marketing system, all record are transacted through internet or intranet, therefore all transactions get automatically recorded and controlled by Govt.

7.Transportation Cost

In electronic system Sanchalak gives the introduction about market condition, market opening or closing, market rate, etc. He also sends e-mail through the intranet to Hub about quantity of agricultural product. He also confirms the inventory about that particular agricultural product position. The above e-marketing system is beneficial to farmer for the agricultural produce transportation. If he con not satisfies the market condition he cannot go in to market or transport the commodity. Then the transportation cost depends on his decision.

But in the traditional market farmer cannot get any information about the market position. If he goes in to market yard with his agricultural produce the transportation expenses are actually confirmed. But if the market is closed and or market rate is not satisfactory then the transportation cost becomes double. If he transit the agricultural produce and return his house or godwon, when the mandi price is not favorable to farmer. I.e. comparatively transportation, storage, loss in transit, perishable position, labor charges, etc expenses incurred in traditional system. Lastly the farmer may go in to loss in a particular situation. E-marketing the expenses are zero.

8.Other goods selling business and employment -

There are also another goods selling and business opportunities to Sanchalak such as seeds, fertilizers, pesticides, consumable goods, grocery, vehicles, medicine, etc. There are also insurance, banking, loan, etc. services are available for Sanchalak for doing such business for earning more and more money through employment point of view. In the traditional system, these facilities are not available to any person.

E-marketing suitability

There are various E-marketing suitable ideas for agricultural marketing produce rather than the traditional marketing system. Electronic marketing is more suitable, affordable, and profitable to farmer in rural area also. The comparative study and data with its analysis show the following important suitable points.

1. Comparative pricing is beneficial to farmer. He can choose the e-marketing system like e-choupal.
2. Local Sanchalak is a responsible person and therefore selling price its guarantee to farmer is important factor than the private marketing system.
3. Weighing process is on electronic system, the major part i.e. manual hindrances are not included in e-marketing.
4. Weighing process is also nearest Hub. Therefore comparative transport expenses and time is less than the traditional market.
5. Various expenses such as adat, hamali, mapai, warai, commission, etc. charges totally nil in e-marketing, which is the higher benefit to farmer.
6. Transportation is a big barrier in traditional marketing system. When the traditional market is close, market rate of commodity is less and farmer who is not interested in selling the commodity then the expenses of return transportation and also storage expenses, labor expenses, etc, results in to loss to farmers.
7. Inspection, market rate of commodity, purchasing decision, etc. various things to be done before going in to market. It is the specific advantages in e-marketing system over the traditional marketing system.
8. Loss in transit is comparatively less in e-marketing e.g. spoilage, eradication, theft, perishable position loss, etc.
9. Yield planning, crop planning, market guarantee, market position, etc things are available in e-marketing.
10. Seed, fertilizer, loan facility, other goods or commodity selling, insurance, other business, etc. are the various opportunities available in e-marketing. These facilities are not in traditional marketing system.
11. Training, workshop, guidance, etc. are essential things in new global market era. This facility is available in e-marketing system. Likewise e-choupal.

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- 12. Online market is the open sky, unlimited business opportunities to all persons. Such as farmer, trader, Sanchalak, etc.
 - 13. Marketing channel such as advertising, marketing etc. are available. Website, e-mail, etc. are the new things beneficial for the farmer.
 - 14. Social activities, entertainment, discussion, chatting, frequently asked questions are the other benefits of e-marketing.
 - 15. Payment to farmer within 24 hours is the interesting thing in this e-marketing.

Conclusion

The e-choupal model shows that large corporation can combine a social mission and an ambitious commercial venture; that it can play a major role in rationalizing markets and increasing the efficiency of an agricultural system, and in ways it benefits farmers and rural communities as well as company shareholders.

ITC's example also shows the key role of information technology, in this case provided and maintained by co-operation, but used by local farmers in helping to bring about transparency to increase access to information and to catalyze rural transformation, while enabling efficiencies and low cost distribution that makes the systems profitable and sustainable, critical factors in the apparent success of the venture are ITC's extensive knowledge of agriculture, the effort ITC has made to retain many aspects of the existing production system, including the integral importance of local partners, the company's commitment to transparency and the respect and fairness with which both farmers and local partners are treated.

Thus the hypothesis is 100% proved that the **Electronic marketing system is suitable for agriculture produce marketing.**

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